



Highwood Distillers Ltd.

Annual Report

January 31, 1997

*The Highwood Family
of
Fine Products*

Canadian Whisky

*Highwood Canadian Whisky
Centennial Canadian Whisky*

Vodka

*Marushka Vodka
White Lightning Vodka*

Rum

*Highwood White Rum**

Blended Scotch Whisky

*Clanroy**

Tequila

*Old Mexico Tequila**

Liqueurs

Highwood Colita

(an exciting blend of 5 different coffees)

Highwood China White

(a smooth white creme de cacao)

Highwood Triple Sec

(a wonderful curacao orange flavour)

Premixes

Highwood Black Russian

(a blend of vodka and Colita)

Highwood Long Island Iced Tea

*(a refreshing blend of white rum, and tequila
plus gin, vodka and triple sec)*

Old Mexico Margarita

(an excellent base for your favourite margarita)

Ask for these products by name at your favorite liquor store.

** Imported and bottled by Highwood*



HIGHWOOD DISTILLERS LTD.

P.O. BOX 5693, HIGH RIVER, ALBERTA, CANADA T1V 1M7
TELEPHONE (403) 652-3202 FAX (403) 652-4227

To the Shareholders of Highwood Distillers Ltd.

Net income for the year ended January 31, 1997 was \$18,914 (\$0.002 per share) as compared to the net loss of \$1,217,551 (\$0.122 per share) for the year-ended January 31, 1996. The results for the prior year included a special charge related to the excise duty and GST assessed by Revenue Canada of \$980,000 as well as a provision for legal and other costs of \$600,000, related to the alleged illegal sales which took place during the year ended January 31, 1995, and an income tax recovery of approximately \$395,000. Information in respect of the alleged illegal sales has been provided in previous reports to shareholders, copies of which are available by contacting Highwood. In addition, the current status of this situation is summarized in note 2 to the consolidated financial statements included in this report.

Case sales of Highwood products declined by 11.6% during fiscal 1997 to 90,549 from 102,374 in the previous year. This decline was due primarily to the aftermath of the alleged illegal sales. Management, of necessity, was preoccupied with the resultant problems. Our sales agencies, and the image of our products, were negatively impacted in the marketplace. However, as a result of the developments discussed below, from an operating standpoint, Highwood has returned to normal.

The market for spirits in Western Canada, and in particular in Alberta, remains very competitive. Yet as discussed in the section entitled "Management's Discussion and Analysis" margins have been maintained and costs controlled satisfactorily.

Without a doubt the most important event, among the many events in the year, was the capital injected into Highwood of \$1,465,000 in November 1996, by way of a share issue for \$215,000 and the issue of a secured convertible debenture at its par value of \$1,250,000. This investment has provided the financial foundation on which Highwood can build for the future.

Another important step towards building for the future took place on March 31, 1997 when Barry W. Wilde joined Highwood as President. Mr. Wilde comes to Highwood from a leading food and beverage marketing group where he was Western Canada Sales Manager. Mr. Wilde's leadership, management and marketing skills will be important as Highwood rebuilds the momentum which it enjoyed through fiscal 1995. I continue in the role of Chief Executive Officer and have assumed the role of Chairman coincidental with Mr. Wilde's appointment.

With a sound financial base and strengthened management, Highwood is in a position to exploit more fully its inherent strengths; namely the purer form of alcohol in Highwood distilled products derived from locally grown wheat and rye, quality water from our own private source, Western Canadian ownership and the ability to make decisions locally and quickly.

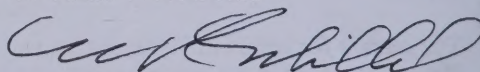
There are many opportunities to be pursued. The market for distilled spirits in Western Canada, our market area, continues to expand; consumers are seeking quality and good value. Highwood products represent high quality at good value pricing. There are opportunities to expand the portfolio of Highwood products and to market other products through our sales channels. Highwood continues to work with Ritual Spirits Inc. of California who are introducing an exciting new liqueur, which was developed jointly with this organization and produced by Highwood. There are other similar relationships to be pursued.

We would like to acknowledge the support received during the past difficult year from customers, shareholders, sales agents, employees and suppliers. Looking to the future, Highwood is well placed to produce quality products at value pricing for its customers, to provide good opportunities for its employees and to generate value for its shareholders.

We hope that as many of you as possible will be able to attend the annual meeting of shareholders to be held on Thursday, May 29, 1997 at 3:00 P.M. at our distillery, 114 - 10th Ave. S.E. in High River, Alberta.

High River, Alberta
April 19, 1997

On behalf of the Board

A handwritten signature in dark ink, appearing to read 'W.R. Miller', written in a cursive style.

W.R. Miller
Chairman and
Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sales

Sales revenue declined during the year ended January 31, 1997 (Fiscal 1997) to \$3,010,774 from \$3,443,034 in the year ended January 31, 1996 (Fiscal 1996); or by 12.6%. The principal factor contributing to this decline was the aftermath of the alleged illegal sales as discussed in the Chairman's letter to shareholders included in this report. In addition, conditions in our market areas remain quite competitive.

Margins

Gross margins improved to 43.6% from 41.2% in the previous year. Average price realized per case declined by 1.1 % to \$33.25 in Fiscal 1997 from \$33.63 in Fiscal 1996. This decline was offset by the benefits of tight cost control as production costs declined by 5.3% to \$18.75 per case from \$19.79 in Fiscal 1996. The end result of these changes was an increase in the gross margin per case of 4.8% to \$14.50 in Fiscal 1997 per case from \$13.84 in the previous year.

Costs

Selling and administrative expenses declined by 16.2% to \$1,044,068 in Fiscal 1997 from \$1,245,385 in Fiscal 1996. Approximately one-third of this reduction is related to the decline in sales revenue principally reflecting the reduction in commissions paid due to reduced sales revenue. The balance represents a reduction in administrative expenses consistent with the pressure maintained on the expense side of the business. In addition, management compensation related to dealing with the aftermath of the alleged illegal sales was charged against the special provision established in Fiscal 1996.

No provision for income tax is required as income for tax purposes in Fiscal 1997 has been eliminated through the utilization of the loss carry forward, for income tax purposes, incurred in Fiscal 1996. Approximately \$585,000 of this loss, subject to assessment by Revenue Canada, is available to reduce taxable income of future years.

Special Provision

As indicated in note 2(c) to the consolidated financial statements, Highwood incurred costs totalling approximately \$352,000 in Fiscal 1997 in respect of the alleged illegal sales which took place in Fiscal 1995. These costs were charged against the special provision established in Fiscal 1996.

Management continues to be of the view that the remaining portion of the special provision established in Fiscal 1996, augmented by certain expected recoveries, should be adequate to cover future expenses related to the alleged illegal sales. It should be noted that the expected recoveries exclude amounts which may be recovered from the judicial review of the excise assessment and the two lawsuits and to which reference is made in notes 2(b)(v) and 2(d) to the consolidated financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Financial Position

The cash injection in November 1996 of \$1,465,000 has provided a sound financial base, particularly when the reader considers that, at the time of writing, it is in the interest of the holder of the convertible debenture to convert the payment of principal due in 1997 into Highwood shares.

Highwood has access to adequate funds for current operations. The bank loan revolves within a ceiling of \$600,000.

Outlook

Highwood is in a good position to exploit its advantages and seize the opportunities which are summarized in the message to Shareholders of the Chief Executive Officer contained in this report.



KPMG
Chartered Accountants

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Calgary Alberta T2P 4B9

Telephone (403) 691-8000
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AUDITORS' REPORT

We have audited the consolidated balance sheets of Highwood Distillers Ltd. as at January 31, 1997 and 1996 and the consolidated statements of earnings and retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Chartered Accountants

Calgary, Canada
March 21, 1997

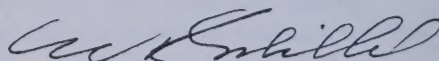
MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements and other financial information have been prepared by the management of Highwood who are responsible for their integrity and objectivity. To fulfil this responsibility, Highwood maintains appropriate systems of internal control and policies and procedures to ensure that its reporting practices and accounting and administrative procedures are of high quality, consistent with reasonable costs, and are designed to provide reasonable assurance that relevant and reliable financial information is produced. These statements have been prepared in conformity with generally accepted accounting principles and, where appropriate, reflect estimates based on judgements of management. The financial information presented throughout this annual report is consistent with the information contained in the consolidated financial statements.

KPMG, the independent auditors appointed by the shareholders, have examined the consolidated financial statements in accordance with generally accepted auditing standards to enable them to express to the shareholders their opinion on the consolidated financial statements. Their report as auditors is set forth on page 5.

The consolidated financial statements have been further examined by the Board of Directors and its Audit Committee which meets regularly with the auditors and management to review the activities of each. The Audit Committee reports to the Board of Directors. The auditors have direct and full access to the Audit Committee. The Board of Directors, through its Audit Committee, oversees management's financial reporting responsibilities and is responsible for reviewing and approving the consolidated financial statements.

High River, Alberta
April 19, 1997



W.R. Miller
Chairman and
Chief Executive Officer

HIGHWOOD DISTILLERS LTD.

Consolidated Statements of Earnings and Retained Earnings

Years ended January 31, 1997 and 1996

	1997	1996
Sale of spirits	\$ 3,010,774	\$ 3,443,034
Cost of sales	1,697,559	2,026,009
Gross margin	1,313,215	1,417,025
Expenses:		
Selling and administration	1,044,068	1,246,386
Interest on long-term debt	137,241	114,559
Interest - other	41,782	23,739
Depreciation	71,210	64,530
	1,294,301	1,449,214
Income (loss) from operations	18,914	(32,189)
Special item (note 2)	-	1,580,000
Income (loss) before income taxes	18,914	(1,612,189)
Income taxes (recovery) (note 9):		
Current	-	(320,000)
Deferred	-	(74,638)
	-	(394,638)
Net income (loss)	18,914	(1,217,551)
Retained earnings (deficit), beginning of year	(369,577)	847,974
Deficit, end of year	\$ (350,663)	\$ (369,577)
Net Income (loss) per share	\$ 0.002	\$ (0.122)

See accompanying notes to consolidated financial statements.

HIGHWOOD DISTILLERS LTD.

Consolidated Balance Sheets

January 31, 1997 and 1996

	1997	1996
Assets		
Current assets:		
Cash	\$ 6,377	\$ -
Accounts receivable (note 3)	222,719	158,070
Income taxes recoverable	-	355,163
Inventories (note 4)	1,570,210	1,916,804
Prepays and other	24,530	2,325
	1,823,836	2,432,362
Fixed assets (note 5)	971,599	1,010,389
	\$ 2,795,435	\$ 3,442,751
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank loan (note 6)	\$ 100,000	\$ 658,152
Accounts payable and accrued liabilities	384,253	453,182
Duty and GST payable (note 2)	-	980,000
Current portion of long-term debt (note 7)	239,000	1,158,370
	723,253	3,249,704
Long-term debt (note 7)	1,664,921	-
	2,388,174	3,249,704
Shareholders' equity:		
Share capital (note 8)	757,924	562,624
Deficit	(350,663)	(369,577)
	407,261	193,047
Contingencies (note 10)		
	\$ 2,795,435	\$ 3,442,751

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Robert J. Herron Director

William R. Miller Director

HIGHWOOD DISTILLERS LTD.

Consolidated Statements of Changes in Financial Position

Years ended January 31, 1997 and 1996

	1997	1996
Cash provided by (used in):		
Operations:		
Net income (loss)	\$ 18,914	\$(1,217,551)
Items not affecting cash:		
Depreciation	71,210	64,530
Deferred income taxes	-	(74,638)
	90,124	(1,227,659)
Net change in non-cash working capital items:		
Accounts receivable	(64,649)	105,255
Income taxes recoverable	355,163	(355,163)
Inventories	346,594	(276,921)
Prepays and other	(22,205)	(48)
Accounts payable and accrued liabilities	(68,929)	223,877
Duty and GST payable	(980,000)	926,909
	(343,902)	(603,750)
Financing:		
Issue of common shares, net of expenses	195,300	-
Issue of convertible debenture	1,250,000	-
Debt due to Revenue Canada	653,921	-
Payments on long-term debt	(1,158,370)	(60,044)
	940,851	(60,044)
Investments:		
Purchase of fixed assets	(32,420)	(149,323)
Increase (decrease) in cash position	564,529	(813,117)
Cash position, beginning of year	(658,152)	154,965
Cash position, end of year	\$ (93,623)	\$ (658,152)

Cash position includes cash and bank loan.

See accompanying notes to consolidated financial statements.

HIGHWOOD DISTILLERS LTD.

Notes to Consolidated Financial Statements

Years ended January 31, 1997 and 1996

1. Significant accounting policies:

Principles of consolidation:

The consolidated financial statements include the accounts of Highwood Distillers Ltd. (Highwood) and its wholly-owned subsidiary, Sunnyside Trading (Barbados) Inc. (Sunnyside).

Foreign Currency Translation:

The accounts of Sunnyside are maintained in United States currency and have been translated into Canadian currency using year-end exchange rates.

Inventories:

Inventories are valued at the lower of cost and net realizable value. Cost is determined on an average basis and includes raw materials, labour and utility costs associated with production and bottling of spirits. In accordance with industry practice, current assets include spirits which, in Highwood's normal business cycle, are aged for a varying number of years.

Fixed assets:

Fixed assets are recorded at cost. Depreciation is provided using the declining balance method at annual rates as follows (in the year of acquisition 50% of the applicable rate is used):

Assets	Rate
Buildings	5%
Distillery equipment	20%
Office equipment	20%

Bottle molds are depreciated on a straight-line basis at a rate of 10% per annum. Wooden aging barrels are not depreciated as their salvage value is estimated to be not less than cost.

Financial instruments:

The carrying amounts of all current assets, except inventories, and current liabilities approximate fair value because of the short maturity of those instruments. The carrying amount for long-term debt approximates fair value due to the floating interest rate on the debt.

Income (loss) per share:

Income (loss) per share - basic is calculated using the weighted average number of common shares outstanding during the year. Fully diluted income (loss) per share assumes the exercise of share purchase options, conversion of convertible debt securities, when dilutive, and reduction of related interest expense.

HIGHWOOD DISTILLERS LTD.

Notes to Consolidated Financial Statements

Years ended January 31, 1997 and 1996

2. Issues resulting from the alleged illegal sales of spirits:

During the year ended January 31, 1996 (Fiscal 1996), criminal charges were laid against two former directors, including the former Chairman of the Board of Highwood in connection with the alleged illegal sale of spirits (the Sales) which occurred during the year ended January 31, 1995. No such charges have been laid against Highwood.

As a result of the Sales, Highwood recorded a special item charging earnings before tax, in Fiscal 1996, with \$1,580,000 being \$980,000 for excise duty and related penalty and interest and GST (the Claim) and \$600,000 for costs incurred, and estimated to be incurred, as a result of the Sales.

During the year ended January 31, 1997 (Fiscal 1997) the following events occurred:

- (a) Revenue Canada seized \$80,417, in respect of the GST portion of the Claim, from amounts otherwise due from provincial liquor control boards.
- (b) A settlement agreement was entered into with Revenue Canada which among other things, provided for, or resulted in, the following:
 - (i) The penalty portion, and related interest, of the assessment for excise duty was waived. The amount included in the Claim recorded in Fiscal 1996 in respect of this penalty and related interest was \$73,155.
 - (ii) A portion of the loss incurred for income tax purposes in Fiscal 1996 was applied to recover the federal and provincial income taxes paid in the three preceding fiscal years. The amount of the federal income tax refund, and related interest, was applied by Revenue Canada to reduce the amount claimed by approximately \$222,000.
 - (iii) The amount of excise duty claimed by Revenue Canada, and related interest to October 31, 1996, after applying the federal income tax refund referred to in (ii) above, is \$653,921. This amount, together with interest as prescribed from time to time, currently 6%, is payable in six instalments as set forth in note 7.
 - (iv) Highwood recorded the recovery, or anticipated recovery, of approximately 4,200 cases of spirits at their original cost, less estimated repackaging costs, in the amount of \$52,499. Approximately 1,100 cases of these spirits were returned to Highwood in January, 1997 and Revenue Canada has agreed not to oppose Highwood's application for the return of the remaining 3,100 cases. Highwood is also seeking the return of an additional 5,000 cases of spirits. No value has as yet been attributed to these spirits in Highwood's statements. All of these spirits were seized by Revenue Canada and/or the RCMP during their undercover investigation of the Sales.
 - (v) Highwood discontinued its civil action against the Government of Canada, Revenue Canada and the RCMP. However, Highwood has the right to seek a judicial review of the excise assessment, which is being pursued, and to appeal the GST assessment. The amount, by which these assessments may be reduced, is unknown.

HIGHWOOD DISTILLERS LTD.

Notes to Consolidated Financial Statements

Years ended January 31, 1997 and 1996

2. Issues resulting from the alleged illegal sales of spirits (continued):

- (c) In Fiscal 1996 Highwood provided \$600,000 in respect of costs incurred, and to be incurred, as a result of the Sales. During Fiscal 1996 costs totalling \$342,563 were charged against this provision. Changes in this provision during Fiscal 1997 were as follows:

Balance of provision, January 31, 1996	\$ 257,437
Additions:	
Reversal of penalty and related interest re excise duty (see note 2(b)(i))	73,155
Recovery of spirits (see note 2(b)(iv))	52,499
	383,091
Costs incurred	351,894
Balance of provision, January 31, 1997	\$ 31,197

The costs incurred in Fiscal 1997 related to the legal and monitor costs associated with the application under the Companies Creditors Arrangement Act as well as other legal costs and the value of officers' time devoted to issues resulting from the Sales.

- (d) Highwood continues to pursue two lawsuits to recover the costs incurred by Highwood as a result of the Sales. These suits are being pursued on a contingency fee basis by counsel. The net proceeds of any settlements have neither been estimated nor recorded in Highwood's accounts.

One of these suits is against the former Chairman of the Board of Highwood, being one of the two individuals referred to in the opening paragraph of this note 2. Highwood is seeking to recover costs and damages, as a result of the Sales. Highwood has obtained a court order attaching his known assets in Canada.

3. Accounts receivable:

Accounts receivable, for the most part, are due from provincial liquor control boards.

HIGHWOOD DISTILLERS LTD.

Notes to Consolidated Financial Statements

Years ended January 31, 1997 and 1996

4. Inventories:

	1997	1996
Finished goods:		
On consignment at a provincial liquor board	\$ 64,668	\$ 106,095
Other	181,380	286,881
Aging inventory	1,025,550	1,177,109
Supplies and unbottled product	298,612	346,719
	<u>\$ 1,570,210</u>	<u>\$ 1,916,804</u>

5. Fixed assets:

1997	Cost	Accumulated depreciation	Net book value
Land	\$ 53,885	\$ -	\$ 53,885
Buildings	671,716	228,237	443,479
Distillery equipment	794,621	621,100	173,521
Bottle molds	48,014	12,819	35,195
Office equipment	48,977	33,545	15,432
Barrels	250,087	-	250,087
	<u>\$ 1,867,300</u>	<u>\$ 895,701</u>	<u>\$ 971,599</u>

1996	Cost	Accumulated depreciation	Net book value
Land	\$ 54,389	\$ -	\$ 54,389
Buildings	671,716	204,896	466,820
Distillery equipment	767,405	581,125	186,280
Bottle molds	48,014	8,018	39,996
Office equipment	43,009	30,452	12,557
Barrels	250,347	-	250,347
	<u>\$ 1,834,880</u>	<u>\$ 824,491</u>	<u>\$ 1,010,389</u>

6. Bank loan:

The bank loan is a revolving demand line of credit to a maximum of \$600,000 bearing an annual rate of interest at bank prime rate plus one percentage point. The bank loan, and a contingent liability, in the amount of \$250,000, of the lender to the issuer of a bond, held by Revenue Canada (in respect of Highwood's obligations to Revenue Canada), are secured by: (a) a debenture with a first fixed charge covering the distillery plant, inventory and equipment; (b) a floating charge over all other assets and (c) a general assignment of book debts.

HIGHWOOD DISTILLERS LTD.

Notes to Consolidated Financial Statements

Years ended January 31, 1997 and 1996

7. Long-term debt:

	1997	1996
Convertible debenture due December 1, 2001, with interest at prime plus two percentage points; repayable at the rate of \$150,000 per annum on December 1 annually and convertible, at the holders option, at the rate of \$0.10 per share into common shares during the period ending November 18, 1999, and, thereafter, at the greater of \$0.10 per share or the market price of the shares.	\$ 1,250,000	\$ -
Due to Revenue Canada, with interest at rates prescribed from time to time by Revenue Canada (currently 6%), as follows: 1997 - \$89,000; 1998 - \$98,000; 1999 - \$108,000; 2000 - \$119,000; 2001 - \$131,000 and 2002 - \$109,000	653,921	-
Demand term loan due on March 31, 1997, with bi-weekly blended principal and interest payments of \$4,512, interest is fixed at 9.75% per annum.	-	408,370
7.5% Convertible debenture due July 26, 1997 and convertible to common shares at \$0.60 per share on or before July 26, 1997.	-	750,000
	1,903,921	1,158,370
Less portion due within one year	239,000	1,158,370
	\$ 1,664,921	\$ -

The convertible debenture due December 1, 2001, is secured by the same assets as the bank loan referred to in note 6 subject to the prior interest of the bank. The equity conversion feature of the debenture has been attributed a nil value as a result of the conversion price being in excess of the fair value of the shares issued during the year.

8. Share capital:

	1997	1996
Authorized:		
Unlimited number of common voting shares without nominal or par value		
Unlimited number of preferred shares, issuable in series, with rights to be determined upon issuance		
Issued:		
20,725,000 (1996 - 9,975,000) common shares	\$ 757,924	\$ 562,624

HIGHWOOD DISTILLERS LTD.

Notes to Consolidated Financial Statements

Years ended January 31, 1997 and 1996

8. Share capital (continued):

The following is a summary of the changes in share capital, and in options outstanding for the purchase of common shares, during the year:

	1997			1996		
	Common Shares Number	Amount	Number of Options	Common Shares Number	Amount	Number of Options
Balance, beginning of year	9,975,000	\$ 562,624	925,000	9,975,000	\$ 562,624	900,000
Shares issued for cash less related expenses	10,750,000	195,300	-	-	-	-
Options granted	-	-	-	-	-	1,000,000
Options terminated	-	-	(250,000)	-	-	(975,000)
Balance, end of year	20,725,000	\$ 757,924	675,000	9,975,000	\$ 562,624	925,000

In addition, 12,500,000 common shares have been reserved to be issued in the event that the convertible debenture due December 1, 2001, described in note 7 above, is converted into common shares.

As stated above, 675,000 shares have been reserved to be issued pursuant to options granted to directors, officers and employees.

Details of the options outstanding as of January 31, 1997 are as follows:

Number of shares subject to options	Number of shares vested	Price	Expiry date
150,000	150,000	\$ 0.17	1997
375,000	225,000	0.20	1998
150,000	-	0.17	1999
675,000	375,000		

9. Income taxes:

No income taxes are payable for fiscal 1997 as a result of carrying forward a portion of the loss for income tax purposes incurred during the year ended January 31, 1996. Highwood currently estimates that the remaining portion of that loss is \$585,000 which, subject to assessment by Revenue Canada, may be applied to reduce income taxes otherwise payable in respect of fiscal years ending up to 2003.

HIGHWOOD DISTILLERS LTD.

Notes to Consolidated Financial Statements

Years ended January 31, 1997 and 1996

10. Contingencies:

Mr. Phillip A Peterson (Peterson), the former Chairman of the Board of Highwood, has initiated a lawsuit against Highwood seeking approximately \$1.8 million for wrongful dismissal. In a second suit Peterson has increased the amount claimed to \$3.5 million. The second suit relates primarily to the transaction pursuant to which Atlas Concrete Inc. invested \$1,465,000 in Highwood in November 1996, which Peterson claims was prejudicial to his interests. Management believes these suits are without merit and are being vigorously defended. Highwood has filed a lawsuit against Peterson as stated in note 2(d)).

11. Segment information:

Highwood operates in one dominant industry, the distilling and marketing of spirits. Substantially all of Highwood's products are sold in Canada.

Highwood Distillers Ltd.

Corporate Information

DIRECTORS

Jack C. Anderson

Gerald A. Berkhold

Garth M. Farr

Ronald L. Graham

Robert J. Herron

Douglas H. Hunter

William R. Miller

OFFICERS

William R. Miller

Chairman and Chief Executive Officer

Barry W. Wilde

President

Ronald R. Stothers

Vice-President

Gerald A. Berkhold

Secretary

OFFICES

Distillery

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